

# 1. Organizing & Visioning

## About this phase

- This first phase of development establishes the who, what, and why for the project.
- In this phase, the project may or may not be tied to a specific site.
- This phase may be initiated by community members, by a housing developer, or through a partnership.
- The project vision may evolve as it moves through later phases of development.

## Approximate time needed to complete this phase

Several months to several years

- Parts of this phase may overlap with the next phase (Pre-Development)
- If a site is known: minimum 6 weeks to 8 months
- If a site has not yet been identified: 1 year to 30 years

## Anticipated costs

\$10,000+

- Primary cost is dedicated time from project sponsors and community members
- Minor expenses associated with meeting space, facilitation

## Before moving on to the next phase, you should...

1. Establish **community needs and objectives**, and articulate the community vision in an accessible way. Work with the community to determine how to prioritize these different needs and objectives, in the event that all objectives cannot be fulfilled.
2. Establish a **project concept** with desired uses that align with the community's needs and objectives.
3. Identify a **project sponsor** and **key partners** whose mission and capacity can support the community vision. Know who will develop, own, and operate the development.
4. Have ideas about how the community will engage in future phases.

### Potential community needs and objectives

- Affordable housing (may focus on serving certain populations)
- Small business stabilization
- Homeowner stabilization
- Education/job training
- Affordable childcare/early learning
- Preservation of cultural assets
- Improve health outcomes

### Potential components (uses) in project concept

- Housing mix
  - \* Homeownership or rental
  - \* Income targets
  - \* Unit sizes
  - \* Population focus
- Community and public gathering spaces
- Retail/commercial uses
- Healthcare services
- Childcare
- Public open space

## 2. Pre-Development

### About this phase

- This second phase of development leads to a refined project concept, grounded by feasibility and practical constraints/considerations.
- In this phase, a specific site must be identified and secured for the project.
- This phase requires significant financial investment/risk by the project sponsor.
- Incorporating input from key project/community partners during this phase is an iterative process.

### Approximate time needed to complete this phase

1 to 5 years, depending on whether or not you have site control coming into this phase

### Anticipated costs

\$50,000 to \$150,000, not including the cost of land acquisition

- Site control expenses (broker fees, earnest money)
- Property acquisition cost (plus loan fees, if financed with short-term loan)
- Feasibility reports (environmental assessment, appraisal, market study, geotechnical study)
- Architect fees for zoning analysis, preliminary drawings
- Legal fees for acquisition, pre-development loan closing
- Development consultant fees
- Contractor fees for construction cost estimate

### Before moving on to the next phase, you should...

1. Clearly define partner **roles/responsibilities**, formalized in a Memorandum of Understanding (MOU) between partners.
2. Formally bring additional **development team** partners into the project, including a project architect, pre-development lender, and development consultant.
3. Accomplish **site control** and/or acquisition. First, an ownership entity must be identified. Then, a purchase agreement will be negotiated and earnest money deposited.
4. Establish project **feasibility**. Feasibility determination should include:
  - a. Zoning study/schematic drawings
  - b. Construction cost estimates
  - c. Development and operating budget estimates
  - d. Environmental review (if applicable)
5. Obtain **pre-development/acquisition financing**. By the end of this phase, loan applications should be submitted and approved.
6. Establish a **financing plan** through discussions with potential project lenders/investors. A capital campaign plan may be established as part of the overall financing plan. By the end of this phase, you should also submit some or all applications for public subsidy.

# 3. Development & Construction

## About this phase

- In this third phase, the project concept becomes a fully designed, permitted, and built development.
- The project will continue to evolve based on investor/lender requirements, public funding availability, and community engagement.
- Financial risk/liability increases to its peak during construction.

## Approximate time needed to complete this phase

18 months to 5 years, depending on the size of the project

## Anticipated costs

Total development costs, including construction, soft costs, and reserves, can add up to as much as \$100 million for larger projects.

## Before moving on to the next phase, you should...

1. Secure all necessary **project financing** (typically 4 to 8 sources of financing):
  - \* Public funder loans— applications approved and loans closed
  - \* Capital campaign (if applicable) — completed
  - \* Construction loan and permanent loans — secured and closed
  - \* Tax credit investor equity
  - \* Owner equity
2. Have all building and land use **permits** approved and issued. If a rezone is needed, it must be approved before construction can begin.
3. Prepare and execute all **legal agreements**, which may include: loan documents (including regulatory agreement), priority agreement, tax credit partnership/operating agreement, condominium declaration (if separate ownership of units), and property management agreement.
4. Complete building **construction** and meet social equity goals in hiring/contracting. This phase may involve weekly or monthly construction monitoring. When construction is complete and the building is ready to be occupied, a certificate of occupancy will be issued.
5. Begin **outreach and promotion** to identify renters for initial lease-up or potential buyers of for-sale homes.

## Additional steps for homeownership projects

- Set affordable for-sale prices.
- Determine application and selection review process, which may include new homebuyer education.
- Meet and document income eligibility underwriting requirements.
- Provide assistance in accessing mortgage loans (educating lenders, title).
- Set up homeowners' associations, condo associations, or co-op boards (if applicable).
- Establish association budgets to cover common expenses, maintenance, and repair reserves.

## 4. Operations & Sustainability

### About this phase

- Once construction is completed, the owner is responsible for the affordable housing's long-term management and operations. This can be done by the owner or by third-party property management companies.
- For rental housing projects, lease-up of both residential and commercial spaces is completed in this final phase. For homeownership projects, initial sales are closed.
- Public funders provide oversight and compliance monitoring to protect long-term public benefit.
- Project may continue to evolve based on changing market conditions, community needs, and required reinvestment in the project.

### Approximate time needed to complete this phase

50+ years

### Operating rental housing projects — ongoing costs

- **Operating costs** can range from approximately \$6,000 to \$9,000 per unit on an annual basis and include:
  - \* Management costs
  - \* Ongoing repairs and maintenance costs
  - \* Utilities
  - \* Taxes and insurance
  - \* Replacement and operating reserves
- Owners must also plan for **long-term maintenance and replacement costs** of building components through a capital needs assessment and adequate deposits to building replacement reserves. Example: New roofs on multifamily buildings can cost \$100,000+ and typically have a useful life of 25 years.
- Some projects generate cash flow that may accrue to project sponsor or lenders; other projects require additional subsidy to pay basic operating expenses. The cost of operations may be partially covered by tenant paid rent or tenant paid rent supported through sources such as Section 8.
- For projects serving homeless or special needs populations, funding for ongoing services and/or operating subsidy must be secured.

### Operating rental housing projects — ongoing responsibilities

- Implement an **affirmative marketing plan** that ensures information about project's housing opportunities are available and accessible to populations who might otherwise be unlikely to apply.
- Submit regular **compliance reports** to public funders. These reports may include:
  - \* Income and household size of each tenant household
  - \* Rent in effect for each unit
  - \* Annual occupancy rate and collection rate
  - \* Full financial statements of the property
  - \* Demographic characteristics of tenants
- Accommodate **physical inspections** of the properties to ensure they are being well maintained.

## 4. Operations & Sustainability

### Stewardship of homeownership projects — ongoing costs and responsibilities

- To help defray the cost of staff time needed to monitor and support homeowners, the project steward may charge a **stewardship fee** (also known as a ground lease, or administrative fee).
- Implement an **affirmative marketing plan** that ensures information about the project's homeownership opportunities are available and accessible to populations who might otherwise be unlikely to apply.
- Implement a plan for **monitoring compliance**, which may include:
  - \* Ensuring owner-occupancy
  - \* Establishing procedures for unauthorized use or other violations.
- Provide **post-purchase support**, which may include:
  - \* Financial counseling
  - \* Assistance with refinancing and/or capital improvements
  - \* Education regarding home maintenance
- If project has a Homeowners' Association, condo association, or co-op, provide **oversight of the association budget** and assist with annual budget-setting to ensure reserves are adequate to cover systems repair and replacements.
- Assist with **re-sales**, which may include:
  - \* Calculating resale formula prices
  - \* Assisting with marketing and outreach or maintaining an applicant pool
  - \* Providing homebuyer education
  - \* Assisting with access to mortgage financing